

8 August 2007

## Issuing Federal Payments Using the U.S. Debit Card Program

**17<sup>th</sup> Annual Financial Managers Conference**



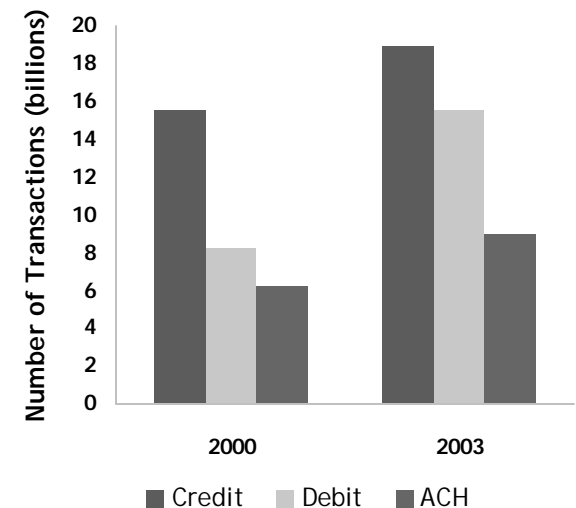
# Agenda

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- Defining a Debit Card
- Explaining US Treasury Department's Role in Debit Cards
- U.S. Debit Card Overview
- How Debit Cards Are Being Used in Federal Space
- What will be Happening for the US Debit Card over the next Year

# What is a debit card?

- Offline “signature” debit
  - Runs on major card association networks, e.g. Visa Cash™
  - PIN or signature
  - Used anywhere your credit card is: over the phone, internet, etc.
- Online “PIN” debit
  - Uses the electronic funds transfer (EFT) switches as its transaction backbone through the ATM network
  - PIN-only: adds a level of security
  - Used only at locations that have a PIN Terminal
- Magnetic stripe not a chip
- Debit to a checking account
- Prepaid - debit to funds pre-funded into an account
- Card names: declining balance, payroll, gift, stored value
- It's popular! Debit card usage has grown at an annual rate of 23.5 percent.



Source: The 2004 Federal Reserve Payments Study — Analysis of Noncash Payments Trends in the United States: 2000-2003, published December 2004

## U.S. Debit Card Overview



## Background of the U.S. Debit Card

- Started in 1998 as a U.S. Treasury pilot and launched as a full program in 2005
- JPMorgan Chase provides the following services: cards, training, operations, and customer service
- 24 deployments by 20 agencies
- Delivers recurring or nonrecurring payments to individuals
- Versatile, widely accepted financial product (specific or general use)
- Not a credit card



# Key features of the U.S. Debit Card

- Web-based platform that enables agencies to:
  - Assign various roles
  - Activate and deactivate cards
  - Fund cards
  - Track card usage (optional)
  - Access online reporting

The screenshot displays the JPMorgan Chase Cardholder Enrollment web form. The page has a dark header with the JPMorgan Chase logo and navigation links: Privacy/Security, Log-off, Print, Help, and Home. Below the header, the title 'Cardholder Enrollment' is followed by a breadcrumb trail: > Enrollment > Search > Adjustments > Status > Reports > Transaction History. The form is divided into two main sections: 'Company Profile' and 'Cardholder Account Information'. The 'Company Profile' section includes fields for Profile #, Sub ID, and Cost Center ID. The 'Cardholder Account Information' section is more extensive, containing fields for ID, Date of Birth (with MM/DD dropdowns), First Name, Middle Initial, Last Name, Address 1, Address 2, City, State (with a dropdown), Province/Region, Postal Code, Country (with a dropdown), Primary Phone, Secondary Phone, and Email ID. It also includes fields for Mother's Maiden Name/Password, Numeric Passcode, and a question 'Are you a US citizen?' with Yes/No radio buttons. A section for 'SSN or Tax Payer ID #' is present, followed by a note: 'Following fields are mandatory, if you don't have SSN'. This section includes 'Identification Type' (with a dropdown), 'Identification Type, Other', 'Country of Issue', 'Identification #', and 'Expiry Date' (with MM/DD dropdowns). There is also a 'Photo Identification' section with Yes/No radio buttons, a note 'Following fields are mandatory, if you click "Yes"', and similar dropdowns for 'Photo Identification Type', 'Identification Type, Other', 'Country of Issue', 'Identification #', and 'Expiry Date'. At the bottom, there is an 'Optional Card Mailing Address (if different than Cardholder Account)' section with fields for Address 1, Address 2, City, and State (with a dropdown). A 'Paper Statement' checkbox with the label 'Check here to Opt-out.' is located at the bottom right.

## Key features of the U.S. Debit Card

- Distribution is immediate in person or by mail
- Cards can be embossed with a name or without (blank card stock ready to issue)
- Cards can be activated on-the-spot or by batch file
- 24 x 7 surcharge-free access to funds through Chase and AllPoint ATM networks
- Access to customer service online or via toll free number

## How has the card been used?

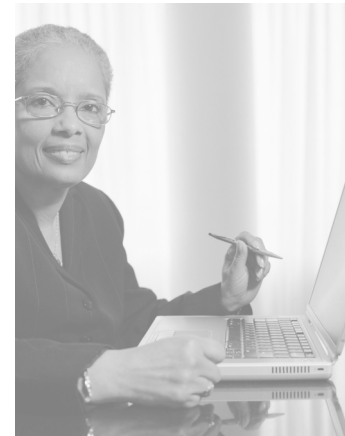


- Department of Agriculture
  - Foreign Agriculture Service
  - Forest Service
  - National Agricultural Statistics Service
- Department of Commerce, U.S. Census Bureau
- Department of Defense, U.S. Southern Command
- Department of Energy, Bonneville Power
- Department of Health & Human Services, National Institute of Health
- Department of Homeland Security
  - Citizenship and Immigration Services
  - Immigration and Customs Enforcement
  - Transportation Security Administration
- Department of Interior, Office of International Affairs
- Department of Justice, U.S. Marshals Service
- Federal Trade Commission
- International Boundary and Water Commission
- Peace Corps
- Holocaust Museum



## Benefits to Federal Agencies

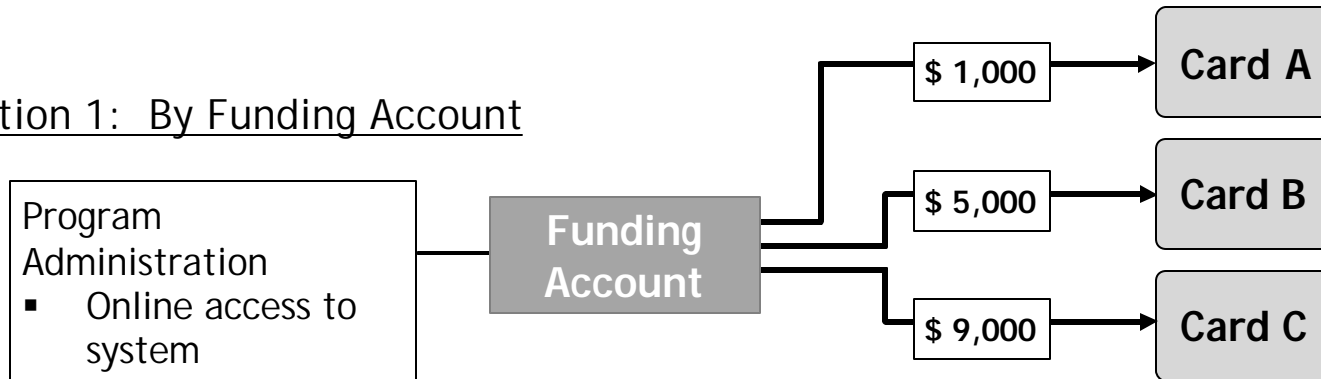
- Reduces dependence on “cash” or checks
- Enhances agency’s financial control (audit trail)
- Operational efficiencies, streamlining and cost savings
- Reduces paper work
- Supports and enhances agency mission
- Moves agency to an EFT environment



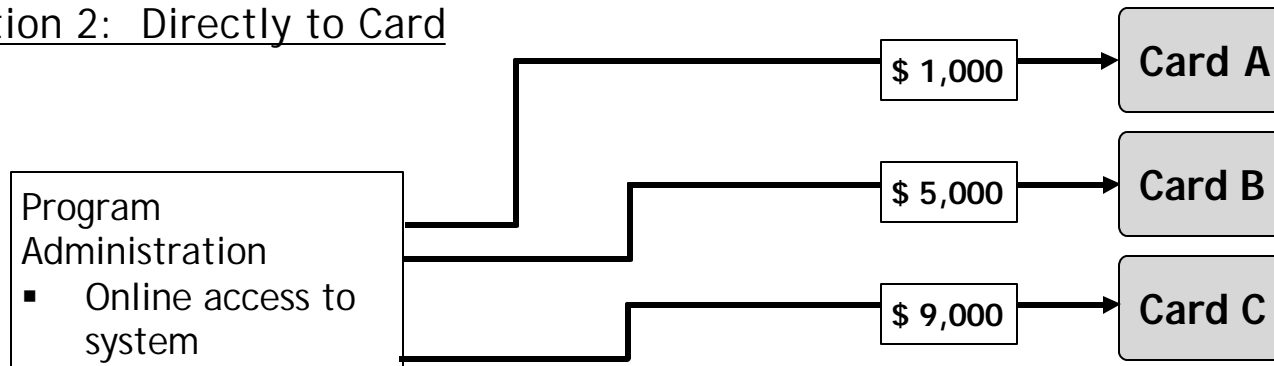
## Funding the U.S. Debit Card

Cards can be funded via ACH before or after it is physically issued to the cardholder

### Option 1: By Funding Account



### Option 2: Directly to Card



## The *Direct Express* Card: Debit Card for Benefit Recipients

- Electronic Funds Transfer (EFT) solution for the unbanked
  - Cost-effective payment mechanism for the Government
  - Can be cost-effective for the beneficiary
  - Safe, secure payment mechanism
- Increased use and acceptance of debit card as benefit payment mechanism by states and other countries

## Direct Express Card Pilot

- At the end of December 2006, FMS sent direct mail to 35,000 Social Security (SSA) & Supplemental Security Income (SSI) check recipients in Chicago and southern (rural) Illinois
- As of July 20, 2007, nearly 3,000 enrollees
- Pilot will run for one year
- FMS will explore including other benefit types in the pilot, as well as expanding the geographical area

## Card Features

- Individual FDIC-insured, Reg E compliant, non-interest bearing accounts set up for each cardholder
- MasterCard-branded with a magnetic stripe supporting PIN- or signature-based transactions (ATM/POS)
- Reloadable with Federal benefits, not personal funds
- No monthly paper statements; account balance info by phone, ATM, on-line, or upon cardholder's request.
- 24/7 phone and on-line customer service by JPMorgan Chase, Treasury's financial agent

## Enrollment

- Toll-free telephone enrollment at JPMorgan Chase (JPMC)
  - JPMC sends routing number & account number (ENR) directly to SSA
  - JPMC sends card and materials to beneficiary
  - Cardholder activates card by calling a toll-free number
- Other enrollment options may be added in the future
- FMS will have no access to cardholder demographic or transaction information, except on a statistical basis

## Cardholder Fees

- No monthly fee
- One free ATM withdrawal per month; \$2.50 per additional withdrawal
- Free POS
- Free telephone/online customer service
- Additional fees for other transactions

## Disbursement

- Same as standard EFT
  - SSA sends payment certification to FMS; FMS disburses payment via ACH
  - Routing number/account number stays the same even if card number changes
  - Interface with Treasury Offset Program (TOP)
  - Reclamations



## Consumer Education

- FMS will develop plan to educate beneficiaries on proper & cost-effective use of card
  - Minimize cost of card to cardholder
  - Minimize overdrafts
  - Minimize losses due to unauthorized use or fraud
  - Maximize effective and efficient use of customer service options

## Pilot Evaluation

- Cost of card to Treasury
  - Cost of disbursing a payment (check vs. EFT vs. debit card)
  - Other costs?
- Cost of card to beneficiary
- Customer satisfaction
- Card usage - ATM vs. POS

## What's in the Cards for the Future?



## The Future . . .

- Direct Express Roll Out across the United States and Overseas
- PODCASTS - see our website for testimonials and to how to account for cards
- Product Development Days
  - Seeking interested agencies for cellular phone transactions or “mobile payments”
  - Seeking agencies interested in new funding techniques - please see me at end of conference for available days in August
- Please refer to [Usdebitcard.gov](http://Usdebitcard.gov) for more information